



# long beach airport

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**Date:** April 6, 2021

**To:** Thomas B. Modica, City Manager *Donda J. Jatum*

**From:** Cynthia Guidry, Director, Long Beach Airport *Cynthia Guidry*

**For:** Mayor and Members of the City Council

**Subject: Airport Terminal Area Improvement Program Construction Update**

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In a memorandum dated [December 21, 2020](#), the Long Beach Airport (Airport) provided the City Council with a memorandum that addressed the COVID-19 impacts to the Airport's various operations during 2020. The update included impacts to Phase II of the Airport Terminal Area Improvement Program (Phase II Program). This memorandum serves to further update the City Council on operational conditions at the Airport and their impact on the continuation of the Phase II Program.

## Forecast of Travel Demand

While there is still uncertainty due to the pandemic and customer attitudes toward returning to travel, the recovery of flight and passenger traffic is accelerating. Southwest Airlines announced six new destinations, including two in Hawaii, along with increases in frequency to existing destinations, further demonstrating their commitment to Long Beach. Hawaiian Airlines added a new flight to Maui and American Airlines added Dallas/Fort Worth to their schedule. These additions reflect a Spring Break/Summer ramp-up anticipated by industry analysts and aligns with the Airport's forecast for increased enplanements. Vaccine distribution is advancing faster than anticipated and is providing added confidence to passengers and attracting travelers who may have chosen not to travel until fully vaccinated. As a result, it appears likely that recovery of air traffic will continue.

## Cash Reserves

The Airport has been able to maintain an adequate cash position by implementing cost-saving measures and closely monitoring cash flow. It also appears that airports, including Long Beach, have better access to the debt market than during the peak of the pandemic. Staff will continue to make decisions to not put the Airport at significant risk of a cash/liquidity shortfall.

### **Availability and Use of Additional Federal Relief Funds**

In addition to the \$18.4 million in Coronavirus Aid, Relief, and Economic Security (CARES) Act funds the Airport received in May 2020, the Airport has successfully applied for its \$5.3 million allotment from the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act. The third round of federal stimulus funding, the American Rescue Plan (ARP) Act, is anticipated to provide \$15 million for the Airport. As with CARES Act, funding from CRRSA and ARP Acts will be used for operating expenses, debt service payments, and supporting the Airport's recovery from the impacts of the pandemic.

### **Airport to Proceed with Ticketing Lobby Construction to at least July 2021**

The December 21, 2020 memorandum stated that the Airport will evaluate its financial status and update the City Council by April 2021, to make a recommendation to proceed, delay further, or cancel the remaining portions of the Ticketing Lobby. Based on a thorough review of the Airport financial position and the improving outlook of the recovery, the Airport intends to proceed with structural steel and exterior elements of the Ticketing Lobby and to review the program status again before July 2021 to decide whether to continue the Ticketing Lobby construction based on updated passenger activity, industry and pandemic developments and outlook. The Financial Management Department concurs with this decision. Since the overall improvement program was previously approved by the City Council, no action to authorize proceeding is required. The prospects of progressing to full construction of the Ticketing Lobby are promising, as the fiscal outlook continues to trend towards supporting a cash flow that would be able to fund the Ticketing Lobby.

As part of its pandemic response, the Airport re-sequenced the Phase II Program schedule to delay the remaining four Phase II projects until completing the Ticketing Lobby (assuming conditions were favorable enough to complete the Ticketing Lobby). The course of the Ticketing Lobby will be reviewed before July to decide whether to proceed with the next phase. The Airport will confirm the allowed uses of the ARP entitlement as soon as possible. Depending on the overall recovery situation, the allowed use of the ARP funds and other potential funding sources, staff is hopeful that the full Phase II Program will be able to continue.

Should a sufficient recovery not occur, major restructuring of the Airport's budget may become necessary, regardless of the decision to proceed with the next phase of construction. Project contingency plans exist and will be executed if projections do not materialize. Under some circumstances, the Airport may need to utilize some of its reserves and is prepared to do so. The Airport will continue to closely monitor the financial feasibility of projects alongside the recovery.

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Should you have any questions, please contact me at (562) 570-2605.

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